

MONTANA BOARD OF HORSE RACING MEETING

10:00 A.M., January 10, 2009

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2301 COLONIAL DRIVE

HELENA, MT

Approved Minutes

ATTENDANCE:

Al Carruthers	Chairman	Sue Austin	Board Member
Topper Tracy	Board Member	John Ostlund	Board Member
Susan Egbert	Board Member	Mike Tatsey	Board Member
Ryan Sherman	Executive Secretary	Sherry Meador	Legal Counsel

PUBLIC IN ATTENDANCE: Cindy Johnson, Tom Williams, Paul Pryor, Jim Espy, Ben Carlson, Amelia Steffes, Tom Tucker, David Downes, Merritt Pride, Jane Cano, Lisa Cano, Barbara Pride, Kerry Pride, Bill Boettcher, Lou Wojciechowski, Keith Johnston.

CALLED TO ORDER:

Chairman Carruthers called the meeting to order at 10:00am

MINUTES:

Member Austin moved to approve the October 4 minutes. Member Ostlund seconded the motion. Motion passed.

ELECTION OF OFFICERS:

Member Austin moved to elect Al Carruthers as Chairman. Member Egbert seconded the motion. Motion passed. Member Egbert moved to elect Ray Tracy as Vice-Chairman. Member Austin seconded the motion. Motion passed.

DATE HEARING:

The Board reviewed Miles City Bucking Horse Sale's application for race dates on May 10, 16 and 17. Member Ostlund moved the proposed dates be approved. Member Austin seconded the motion. Motion passed.

The Board reviewed Montana State Fair Race Meet's application for race dates on July 4, 5, 11, 12, 18, 19, 24, 25, and 26. Ryan Sherman informed the Board that Cascade County's commissioners severed ties with the former management company and all employees of the management company have to reapply for their position under the County. Cascade County informed Sherman that horseracing is in the budget for 2009. The Board noted that MSF applied for two additional days from last year. There was a question as to whether or not Bill Ogg was reapplying for his position. Member Austin moved to accept the application dates. Member Tatsey seconded it. Motion passed. Member Tracy suggested

the board send a letter to the Cascade county Commissioners asking that Ogg be re-hired in his same position. Board agreed.

The Board reviewed Yellowstone Downs and Yellowstone Horse Racing Alliance, Inc. application for race dates on August 22, 23, 28, 29, 30, September 6, 7, 12, and 13. Member Egbert moved to accept the application race dates. Member Austin seconded the motion. Motion passed.

Chairman Carruthers and Member Tracy informed the Board about a meeting they attended regarding the Missoula race track. The Missoula County Commissioners hired consultants from Spokane to make a recommendation as to how best to use the fairgrounds. They held a public meeting for interested persons to discuss the race track. About 40-45 horseracing enthusiasts attended. It was noted at the meeting that Fair attendance dropped so severely, the commissioners were looking for answers. The consultants appeared to have recognized the significance of the turnout. There was no decision from the County as to racing this year. The Consultants will make their recommendations sometime after the 2009 Fair.

It was made clear to the board that Kalispell has no intention to run races this year.

BUDGET:

Sherman informed the board that the current budget stated a positive revenue account of \$26,655. He advised the Board that the issues with the Board's budget appear to be squared away. Chairman Carruthers noted that there were still problems with Livestock's accounting. Tom Tucker informed the Board that MSP checks had not been deposited. Sherman told the Board that Marlys was let go from her position as administrative secretary, and at that time he learned she had checks that had not been deposited. Those checks have now been deposited.

Member Austin asked Tucker where the Board is standing with Montana Simulcast Partners. Tucker informed the Board that he anticipated a 25% decrease and was doing things to cut costs. He advised the Board he would speak about additional income potential later on in the agenda.

Chairman Carruthers stated that the Board needed a full-time Executive Secretary. There was discussion about whether or not the Board should seek moving out of Department of Livestock. Lou Wojciechowski advised the Board that they needed a full-time executive secretary. Member Tatsey moved to request DOL make the Exec. Sec. position full-time. Member Austin seconded the motion. Member Ostlund moved that the motion state the Board requests the position be full-time subject to funding and any denial should be justified with itemized accounting. Motion, as amended, passed.

TRACK INSURANCE/WORKERS COMPENSATION:

Sherry Meador reviewed the information John Unick, MOC Insurance, suggested for Montana tracks. Because of Montana's loss history and the lack of data from State Fund, workers compensation coverage for jockeys would be approximately 3 times the amount for accident and health. Mr. Unick said Montana could provide enhanced coverage for jockeys for the 2009 race meets. Enhanced

coverage would include an additional \$1 mil (\$1.5 million total) of accident medical expense coverage, increased disability, and an additional \$50K (\$100K total) in accident death and dismemberment benefit. The total cost would be approximately \$800 per race day over the previous year. Mr. Unick suggested the Board give jockeys waiver forms to clearly explain the benefit levels so the jockeys know exactly what they are covered for and could reduce racetrack liability. He included a \$1 charge per mount for the jockey so they value the benefit and understand the tremendous amount of subsidy that goes towards paying for the coverage.

The Board members advised staff to continue to work with Mr. Unick to secure an insurance program suitable for racing in Montana and report back to the board when a price is secured.

FANTASY SPORTS:

Chairman Carruthers expressed concern to George Parisot, Montana Lottery, about the lack of income from the fantasy sports game. Mr. Parisot informed the Board that the fantasy sports game has a product life cycle that grows over time. The 2009 Football game will have a different program that allows them to wager per game rather than per week – more opportunities to wager and to win. In 2008, players received \$65,000 in prizes from \$88,000 in bets at 174 retailers. February 8th will start Fantasy NASCAR which he anticipates better participation since there will be weekly rosters, players will have 5 to 6 days to bet (much longer betting window than for football). Lottery has been working on retail recruitment (anticipate at least 200 retailers for Fantasy NASCAR), improved signage, a full-page ad in the Tavern Times. In the Fall of 2009, there will be two games running at the same time at which time he expects near doubling in sales and additional retail locations especially because of smoking ban. Lottery has invested \$80,000 in sales for FS football web and print advertising. For NASCAR, there will be 42 weeks and 60 races to bet on, and an additional \$40,000 from Lottery in advertising.

There was a suggestion that they needed more payouts of smaller money so that betters felt they had a chance of winning. Keith Johnston told the board that he was a frequent better in fantasy football but that Lottery's game was not interesting to play in its current format. Mr. Parisot invited Mr. Johnston to meet with him to discuss how the game could be improved. The Board thanked Mr. Parisot for his efforts.

ACCOUNT WAGERING:

Mr. Sherman provided to the Board a spreadsheet on income realized through TVG. He informed the board that the Xpress Bet contract is in the process of being signed. Twin Spires made an offer, there's been a counter offer, and he's waiting on their final decision. YouBet is in the process of making an offer on source market fees, after the Board had to threaten suit against them. Philadelphia Park is closing their accounts in Montana.

SIMULCAST:

Eric Specter, from Wyoming Downs, addressed the Board by speaker phone. Mr. Specter informed the board that his company acquired Wyoming downs and off track betting networks in Wyoming 2.5 years ago, at which time they refocused and re-energized assets. They realized a significant increase in handle

through one live race meet and four off-track simulcast sites from 9 million to 10 million to 10.8 million. They want to stabilize or grow Montana's off-track betting network. Chairman Carruthers and Member Tracy encouraged Mr. Specter to work with MSP and tracks on an agreement. Chairman Carruthers encouraged Mr. Specter to follow through with Great Falls track to see about opportunities for Specter and live racing in Great Falls.

BREAK

SIMULCAST FANTASY SPORTS PERCENTAGES DISCUSSION:

Mr. Sherman informed the Board that it was suggested the Board give 1% increase simulcast and FS sites to encourage participation. Mr. Tucker agreed that a 1% increase to facilities would be good, but suggested to the Board that additional FS games may provide the needed income.

MONTANA SIMULCAST PARTNERS UPDATE/PROPOSAL:

Mr. Tucker informed the Board that he believed simulcast sales were down due mostly to the economy (about 70%) and to ADW (about 30%). He informed the Board that IMS Racing will cover the costs of closing out the bookings or trying to set money aside. He believed MSP would be down, but still around for the full year. Regarding Mr. Specter's proposal, Mr. Tucker believed Specter's business model would result in taking money out of Montana. MSP doesn't have the cash to control promotional activities, buy liquor and food. The situation in Montana is different than in Wyoming because Wyoming had no competing poker machines. They have to keep some of their percentages. Mr. Tucker proposed to the Board that they invite Mr. Specter to come to the table, take over a little race meet, and sit on the board of MSP. Mr. Tucker said Mr. Specter brings knowledge of better signal export rates and decoder costs because of better connections.

Mr. Tucker requested a Fantasy Sports Network license from the Board. He said United Tote would be able to bring an administrative terminal to the MSP office so they could have an in-state hub. He introduced David Downs, from California, who owns a patent on pari-mutual fantasy sports. They could set up propositions, without additional costs, going through MSP sites. MSP currently has nine sites but anticipates more. Through this game, they would be able to show odds every day of the week, grow the network, and the players could watch racing while playing Fantasy sports. They are currently producing a product. They have a web site ready to go to hook to tote terminals and roll out odds 24-7. This would be a radically different game design from what is offered through Lottery. They anticipated \$100,000 per week in sales.

There was discussion as to whether or not the Board could grant MSP a FS Network license. Ms. Meador advised the Board that they had two options in granting a FS license to MSP – they could work with Lottery to amend the interagency agreement allowing two FS network providers, or they could break the agreement with Lottery, issue another network license to MSP, and deal with the Governor as the arbiter of an Interagency Agreement. Member Ostlund moved that Mr. Tucker write a formal request to the Board, and that Ryan Sherman will take the request to Lottery to see if they were willing to amend the Interagency Agreement. Member Austin seconded the motion. Member Tatsey wanted to

be sure it was clarified that the Board was not going against the Interagency Agreement. Motion passed.

Mr. Tucker and Mr. Downs clarified to the Board that there could be more than one winner in Fantasy Sports. Mr. Downs informed the Board that he had a 3rd patent pending to address Lottery's claims and he believes he has until 2013 to make a patent violation claim against Lottery.

PUBLIC COMMENT:

Ben Carlson informed the Board that there was \$50,000 less in purse money this year which means Yellowstone Downs purse money would be decreased by \$25,000. He will look at first quarter percentages to better predict numbers, but at this time, he said Billings is \$90,000 below budget and may have to cut 5-9 days. Ryan Sherman, advised Mr. Carlson that there may be more avenues for loans through the State's economic development programs to subsidize racing for 2009.

ADJORNMENT:

The meeting was adjourned at 1:40pm.

Signature

Date